Exhibit 3

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Owner: Gary Kain

MIS 101 - Mortgage Portfolio Investment Procedure

Purpose:

This procedure defines the process for all MI&S desks engaged in purchasing and selling approved mortgages/mortgage-related securities in the secondary mortgage market. This procedure outlines day-to-day operations consistent with the Mortgage/Mortgage-Related Securities Investment Policy (MI&S 100), which is approved by the EVP - Investments & Capital Markets and the Asset/Liability Management Plan approved by the Finance & Capital Deployment Committee of the Board of Directors. Procedures that are product specific are addressed in separate sub- procedure documents. Where relevant, the MI&S transaction limits document maintained by Corporate Compliance has been cited and attached as an Exhibit to this procedure.

Reference Documents:

- Approved Model List
- MIS 205 (Pricing Methodologies)
- MIS Transaction Limit Document

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MI&S Group

MI&S Objectives
- The MI&S desk is responsible for mortgage investment activity including:
  - ➢ Agency investments and structuring activity; and
  - ➢ Non-agency investments and credit/interest rate structuring.
- The desk is also responsible for developing an investment process which supports the following:
  - ➢ Controls, documentation and policies governing investment activity are strong and current;
  - ➢ All Assets and Derivatives in the retained Mortgage Portfolio are correctly valued in a timely and controlled manner;
  - ➢ Risk management statistics are appropriate with key sensitivities identified and quantified in a consistent and transparent fashion; and
  - ➢ Management reports detail relevant investment activity.

MI&S Responsibilities
The following defines at a high-level the MI&S group's day-to-day responsibilities for the purchase and sale of approved mortgage/mortgage-related securities in the secondary market:
- Identify, analyze, and execute mortgage/mortgage-related security trades;
- Ensure all transactions are authorized under existing policies or have received appropriate approval;
- Ensure all activities are consistent with applicable investment objectives, laws and regulations, guiding principles and operating philosophy;

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- Document trade details in ALADDIN (trade entry system) and prepare supporting deal analysis, including subsidy tracking documentation if relevant for transactions executed in accordance with strategies that provide for subsidies/exceptions to ROE hurdles, such as certain affordable transactions;
- Execute mortgage hedges for rebalancing as directed by ALM;
- Support/assist Strategy Execution in control, reporting, and other activities, as requested;
- Assist MBS Trade Operations in resolution of trade data discrepancies, fails, and other issues, as requested;
- Support the Valuations & Risk Management group;
- Ensure proper security pricing and valuation
- Ensure valuations used for duration and convexity are reasonable

Retained Portfolio Investment Process Overview	The following table identifies the general process flow involved in managing the Retained Mortgage Portfolio.

PROCESS	DESCRIPTION
Market and Portfolio Monitoring	Portfolio Managers (PMs) utilize various sources of information and tools throughout the day to develop investment strategy/objectives and identify potential trade opportunities.
Deal Analysis	PMs must conduct a transaction viability analysis to evaluate each trading opportunity. For example, the PM calculates Return-on-Equity (ROE) and evaluates other important factors prior to entering into a trade.
Trade Process	PMs must execute the trade over a recorded phone line in an open environment or over an approved electronic source. Key trade elements are discussed and confirmed on the recorded line. PMs target trade entry into ALADDIN by 5 pm daily. ALADDIN will check for compliance with certain aspects of Investments & Capital Markets policies and procedures. PMs must complete all trade analytics and print documentation of the trade analyses by the end of the day.
	The Business Engineering Analyst reviews trade ticket package and ALADDIN Trade Monitor for completeness and accuracy of key trade input attributes.
	The Business Engineering Director ensures that all trade attributes have been adequately reviewed by staff and accurately represented for financial reporting. PMs are responsible for ensuring that all relevant facts relating to a transaction have been appropriately documented and communicated. They are also responsible for the validity and accuracy of all trades performed by their subordinates. The head of each sub-portfolio is presented with a summary of all trades performed by their subordinates and performs a high level review of these trades as evidenced by the head's initials on the trade ticket. These supervisory responsibilities may be delegated if properly documented.

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Market and Portfolio Monitoring Process

Market Monitoring	The market and portfolio are monitored in order to allow Mortgage Investment & Structuring (MI&S) to make prudent business decisions in finding and pursuing profitable trading opportunities. To facilitate this, various internal meetings are conducted to ensure adequate forums and communications exist within Freddie Mac to meet this objective.
Portfolio Monitoring	<u>Monitoring the Retained Portfolio</u> The following identifies the various activities conducted by MI&S Portfolio Managers to monitor the retained portfolio: • Monitor strategy and sector limits; • Monitor collateral availability; • Monitor quality of collateral delivered relative to agreement at trade execution; • Monitor security prices and risk metrics on a monthly basis; • Monitor security positions for sale and re-REMIC opportunities; and • Monitor counterparty trade volumes and activity by product type on a quarterly basis.
Limit Monitoring	<u>Counterparty Limit Monitoring</u> It is the responsibility of the Portfolio Managers to ensure all trades performed are conducted with approved counterparties and within approved counterparty volume limits. CCRM provides a counterparty settlement limit report daily for monitoring purposes. <u>Daily Limit Monitoring</u> It is the responsibility of the Portfolio Managers to ensure all trades performed are within approved daily trader, product and overall desk volume limits. Refer to MI&S Transaction Limit Document for details.

Trade Process

This process documents the deal analysis phase of the investment process and identifies the analyses that must be performed on all deals. Please note specific product analyses are documented in separate procedures.

	<u>Key Considerations</u> For all sales and purchases, the Portfolio Manager must determine the following key considerations. • Intent of trade should be consistent with an approved investment strategy; • ROE must be consistent with ROE hurdle for applicable investment strategy; • Impact on housing mission; • Appropriate selection of approved analytical tools; • Approved product types; • Approved counterparty list; • Within daily desk transaction volume limits; • Within daily trader volume limits; and • Within counterparty limits.
	<u>Required Trade Analysis</u> For all trades, an ROE analysis must be performed using an approved Freddie Mac calculator.

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If capital is not available, the Portfolio Manager will interpolate a capital value using similar assets from the approved capital matrix. The PM must appropriately document the capital selection. Documentation is required to be included with the trade ticket.

Other Important Factors for Trade Determination

After the trade is evaluated for performance metrics, the following factors are considered prior to making a final determination as to whether to execute a trade or not:

- If the evaluated trade does not satisfy the minimum required performance metrics it must be consistent with another approved MI&S strategy;
- The trade should compare favorably to other relative value opportunities (i.e. considerations of long-term performance based on forecast moves in market conditions compared to other available trading opportunities, etc.)
- No counterparty has disclosed unique tax or accounting benefits associated with the transaction;
- The trade is not prohibited or restricted based on additional product or transactional restrictions communicated by management either verbally or in writing (for reference see Business Engineering's Memo "Restrictions and Limitations on Certain Investment Activities");
- The PM is not in possession of material inside information that could be related to the securities in question;
- Valid business purpose including:
  - Long-run economic benefits (which includes security performance and mission support);
  - Risk management; and
  - Balance sheet and capital considerations

Applicable Pricing Methodologies

See MI&S 205- Valuation & Risk Management Group Operating Procedure – Appendix A for the current Pricing Methodology List.

Analytical Tool Analysis

The following table outlines the general actions taken for trade analysis, execution and documentation. Each product type and analytical tool require variables specific to that particular product type or tool. However, these steps are conceptually followed for every deal.

STEP	ACTION
1.	Input necessary security information and/or load CDI file if applicable.
2.	Select appropriate prepayment model as available in an approved analytical system.
3.	Run analytical tool to calculate data required to be entered into the applicable trade entry system – See step 7.
4.	Assign capital based on product type
5.	Run ROE Calculator to determine feasibility of the trade and assign appropriate strategy.
6.	Once the portfolio manager has completed evaluating the trade and decides to pursue the opportunity, they must adhere to the following guidelines: ▪ The trade terms negotiated based on deal analysis must be done in an open environment over a recorded telephone line with the counterparty (s) or via an approved electronic trading system; ▪ Before committing to a trade with counterparty, the portfolio manager

	should clearly indicate the trade level and trade terms including, but not limited to, trade price, trade size, product type, settlement date, and any stipulations.

7.	**Trade Entry**
	(A). Listed below are the required inputs into applicable trade entry system along with source:
	1. Price
	2. Settlement date
	3. Face Amount
	4. Expected ROE
	5. Capital
	6. LIBOR OAS
	7. Agency OAS
	8. Debt OAS (LIBOR OAS less Agency OAS)
	9. Agency Spread Duration
	10. Effective Duration
	11. Effective Convexity
	12. Strategy Code, if applicable (Determined by PM)
	13. Hedge Type, if applicable (Based upon Tax guidance)
	14. Prepayment model used
	15. Portfolio Fund
	16. For Alt-asset trades, Amount Pay-up
	17. For TBA trades, under TBA trade info, flag for netting under MBSCC
	18. For yield curve differences that are greater than 1 basis point, the PM should explain the reason in the trade ticket commentary. Note: the rates used in trade documentation may be slightly different than the printed margin screen (due to timing differences in snapping a live curve in the analytical system and printing out the market screen), the swap yields should be within 1 basis point.
	19. Accounting designation
	20. Yield
	21. Debt Yield
	22. Volatility Duration
	23. CDI File name, when applicable
	24. Applicable Pricing Methodologies
	(B). Enter applicable date into trade database. Database will automatically generate an e-mail notification to ALM.
8.	**Prepare trade ticket documentation:**
	The items listed below must be submitted as part of the official trade package for all **ABS transactions**:
	1. Printed trade ticket with appropriate signatures
	2. OAS Analysis (Agency and LIBOR)
	3. ROE Calculation
	4. Live market interest-rate curve printout
	5. Credit approval
	6. Investment requirement e-mail
	7. Bloomberg E-mail confirmation
	The items listed below must be submitted as part of the official trade package for all **TBA, ARM, CMO, MRB and CMBS transactions**:

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	1. Printed trade ticket with appropriate signatures 2. OAS analysis (Agency and LIBOR) 3. ROE calculator 4. Bloomberg/e-mail confirmation 5. Live market interest rate curve printout If necessary, additional supporting trade analysis will be included.
9.	**After Trade Review – Greenbook Verification** **Check parameter assumptions, duration, pricing and model assignment to ensure proper intra-month pricing and tracking.** This review is performed within two business days after the trade date.

Exception Processing – Late Trades or Approved Trade Entry System Unavailability

Late Trade Entry	Late trades entered into the approved trade entry system affect the convexity and duration reporting results of the daily BlackRock's green package which is used for hedging the firm's exposure. As a result, this procedure is intended to ensure that the ALM desk can appropriately hedge trades executed by the MI&S desk in a timely manner.
	For all executed trades entered into the approved trade entry system after 5 pm on the day of trade, the executing Portfolio Manager must send an email to ALM, MBS Ops, ORM and Investment Process representatives with estimates of the following important trade details: 1) UPB; 2) Duration; and 3) Convexity attributes of the trade

Approval Signatures: The following table includes the signatures of individuals approving this policy.

SVP, Mortgage Investments and Structuring	**VP, Strategy Execution Management**